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S E C R E T SECTION 01 OF 05 BAGHDAD 000630

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SUBJECT: DIPLOMATIC STRATEGY: INTEGRATING IRAQ WITH ITS
NEIGHBORS AND INTERNATIONALLY

REF: STATE 21447

Classified By: Charge d'Affaires Patricia A. Butenis for reasons 1.4 (b)
) and (d).

Summary

¶1. (S) Iraq is undergoing a fundamental shift. For 50 years, since the revolution of 1958, Iraq has destabilized the region, launched two wars, countered U.S. interests and defied the international community-while brutalizing its own people. Iraq is now a moderate force for stability in the region, linked to the U.S. and the West politically, militarily, and economically. We have an extraordinary opportunity to solidify this strategic shift through an energetic diplomatic approach that facilitates Iraqi regional and international integration.

¶2. (S) Significant progress has already taken place over the past year in establishing ties between Iraq and its Sunni Arab neighbors and in furthering the process of Iraqi acceptance within the international community. Much more needs to be done, however, to build upon this beginning and solidify Iraq's position as a moderate force. As the USG draws down military forces in Iraq, our diplomatic strategy should continue to support Iraq's international and regional integration, balance Iranian influence, and enhance Iraq's ability to attract essential foreign investment. The pace of U.S. combat force withdrawal and residual force levels, consistent with the Security Agreement (SA), our long-standing ties to moderate Arab governments, and good will for our new administration, should allow the U.S. to retain substantial leverage and credibility both within Iraq and within the region. This, coupled with an Iraq that is emerging as a strong and independent state with economic opportunities, will provide new openings for the United States to further cement Iraq as a long-term partner with generally shared interests in the greater region. End Summary.

¶3. (S) "If You Build it ... They Will Come". Growing regional recognition of Iraq's importance as a moderate force against Iranian projection of malign influence, catalyzed by the successful PM Maliki-led GOI campaigns in Basrah, Sadr City and Maysan against Iranian-backed Shia militias, has produced significant but still limited progress on establishing ties between Iraq and its Sunni Arab neighbors. The past few years have shown that the key to unlocking support from our Sunni Arab friends (such as Egypt, Saudi Arabia, Jordan, and the UAE) is an Iraq that is standing up as a strong, capable, and independent state, which our friends have chosen first to recognize and then to establish normalized state-to-state relations (including for most a diplomatic presence in Baghdad). Iraq's increasing independence has also changed the dynamic for the better in its relations with Iran and Syria. And relations with Turkey are on a very solid track, after nearly falling off course entirely in late 2007. U.S. policy can and should buttress Iraq's overall approach - emphasizing its independence and sovereignty - to help it further integrate into a larger regional security and economic architecture.

¶4. (S) "Iraq Standing Up to Iran ... But Seeking Neighborly Ties." PM Maliki has managed relations with Iran relatively well, balancing deep concerns over Iran's hegemonic ambitions, destabilizing support for Shi'a militias, and

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heavy-handed political interventions with a "middle course" that has promoted Iraqi national interests without precipitating overt confrontation with Tehran. Most notably, Maliki's leadership in 2008 of the military roll-back of Iranian-backed Shi'a militias and conclusion of the SOFA and Strategic Framework Agreement - despite strong Iranian opposition - has constrained somewhat Iranian influence within Iraq. These trends will need to be sustained. Within an overall policy of "balancing" Iranian influence, we should understand Iraq's drive for friendly bilateral relations between Iran and Iraq (religious, cultural, economic) while continuing to support Iraq as it presses against Iran's provision of lethal assistance to violent extremist groups.

¶5. (S) "Seeking to be a Player in the Region ... and Beyond." The GOI has managed well improving bilateral relationships with important regional actors such as Turkey and the UAE. A start has been made with Egypt, but the Prime Minister and the Iraqi MFA must come to an agreement about who the Iraqi ambassador to Cairo should be. Moreover, Mubarak is reluctant to increase the pace and level of engagement/representation in Iraq and will need to hear a strong and consistent message of encouragement (from Baghdad, the Gulf, and Washington). Iraqi relations with Kuwait are complex and fraught with historic antipathies on both sides, but a recent visit ended 20 years of senior-level estrangement. Here, too, U.S. engagement with both governments will be essential; we can use Iraq's interest in moving out from Saddam-era UNSC Chapter VII mandates and reducing compensation payments to Kuwait as leverage. Beyond the region, Iraq has reached out to Asia and Europe in search of economic cooperation and, with the fall in oil revenue and decreasing production, will continue to seek economic engagement abroad. Official visits to Baghdad, such as the recent state visit of President Sarkozy, have increasingly focused on expanding economic cooperation and have been very well received by Iraqi leaders of all communities. Prime Minister Maliki's upcoming travel to Australia and Russia are also expected to focus on expanding economic ties, as did President Talabani's recent trip to South Korea. Iraq seeks to be a respected player on the international scene, and it relies on close relations with the United States to buttress its stature and influence.

This will remain an important source of our leverage moving forward.

¶6. (S) "Multinational Forums ... Iraq as a Partner Not Subject." On the multinational level, Iraq has participated actively in the Iraq Neighbors' process (modeled along the "contact group" recommended by the Baker-Hamilton report, this is the only formalized UN-backed forum that brings together the U.S., Iran, Syria, and Turkey in addition to key international parties, such as the Arab League, EU, UNSC P-5, and G8, all at a ministerial level). It has also participated actively in the International Compact for Iraq economic development/investment forum. Both the International Compact and the Neighbors Process have been instrumental in establishing and supporting Iraq's political and economic integration (the last ministerials were held in Kuwait in April, 2008 and Stockholm in May, 2008 respectively).

¶7. (S) It is now an open question whether these two forums should continue in their present form, be expanded, or be abandoned. In our view, both forums present opportunities for the U.S. to address common regional problems in established, internationally-sanctioned forums, and should be continued, but with an increasing focus on broader regional issues - not just issues related to Iraq. Any forum focused entirely on Iraq will not survive the world of increasing Iraqi sovereignty and independence. The Iraqis have insisted on holding any future meetings in Iraq, and expanding the agenda to include common regional issues, such as energy,

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terrorism, and water resources. We agree with this approach, and would support a Neighbors' and Compact meeting in Baghdad at an appropriate time, possibly in May. A ministerial-level meeting in Baghdad in the May timeframe would send an important message of U.S. commitment to Iraq and would support and enhance an overall invigorated diplomatic approach to the region more broadly. It is an opportunity we should not pass up.

¶8. (S) "The GCC 3 and Leverage against Iran." We have also worked successfully to bring Iraq into Gulf security and political consultative processes through what is now the GCC 3 (Iraq, Egypt, Jordan) 1 (U.S.) process. Progress on greater integration is important to us, but is limited by Saudi (especially) and Qatari antipathy to Shia governance (we see the issue is atavistic and deeply felt by King Abdullah regarding Shia/"Persians" in power and is not limited to dislike for Maliki.) This antipathy will demand much more intensive political-level U.S. engagement. In its international relations, Iraq will not join or spearhead any alignment or alliance -- formal or informal -- directed against its neighbors and will not publicly confront Iran in the UN or international fora. Nor should we seek such outcomes, whose consequences would be negative both for Iraq and for the U.S. We are also prepared to support DOD-led efforts to multilateralize the Gulf Security Dialogues (our bilateral mil-mil relations with Gulf Arab states) with Iraq becoming a key integrated part. As our military presence draws down, Iraq is eager to be a long-term normalized partner with the U.S., including through provision of U.S. weapons and training. This is a trend we should continue to encourage and follow through on.

¶9. (S) "Refugees ... Focus on Returns." Iraqi refugees abroad are a significant issue with negative impact for Iraq's relations with Syria and Jordan, and a source of potential long-term security challenges both to Iraq and the region. As a former refugee himself, Maliki has been very resistant to U.S. and international pressure to act more aggressively on supporting refugees, both seeing the issue as one that will resolve itself as security and economic development in Iraq progresses, and deeply skeptical of international efforts that historically have only encouraged

a permanently displaced refugee class. He has said repeatedly that he would favor and support any policy focused on "returns" and we should hold him to his word, recognizing that the pace and sequencing must be carefully calibrated given the still fragile security environment and lack of Iraqi capacity. At bottom, the burden of sustaining the refugees cannot be borne by either the U.S. or the international community; Iraq must step up its own actions. This will require at a minimum continued high-level U.S. engagement with Maliki; even then, success is far from assured.

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Integrating the GOI: Recommended Diplomatic Initiatives and
Action Plan

¶10. (S) We recommend the USG quickly engage the GOI and key players in both the GCC 3 1 and the Neighbors'/Compact processes to signal the new Administration's support for increased Iraqi integration. As noted, this will need to be paralleled by efforts to move the Saudis on their opposition to Maliki and the current governing structures in Iraq. We should focus on bringing Iraq into Gulf security planning (our facilitation of Military-to-Military cooperation with Gulf States, through the Gulf Security Dialogues, and others will not only increase Iraqi military professionalism and inter-operability, but will also send an important signal to Iran). We should also encourage Gulf investment, the most likely source for short-term capital for Iraq. The

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Neighbors' and Compact processes provide a positive platform for engagement with Syria and Iran in support of a moderate, secure Iraq and a means to bring greater EU and UN involvement (the UN SYG co-chairs both processes) in a regional context. We must press often reluctant parties to attend Neighbors' and Compact events in Baghdad.

¶11. (S) Vital to success of our efforts to help Iraq integrate in the region will be confirmation of Iraq's place squarely on the "right side" amidst growing regional/Arab polarization between hard-liners (Syria/Qatar/Iran/Hamas/Hizballah) and the Sunni moderates (Saudi Arabia, Kuwait/UAE/Egypt, Turkey and Jordan). The USG should encourage enhanced Arab League engagement with Iraq (SYG Amre Moussa is already engaged positively on Iraq and may see "helping" on Iraq as a way of improving his stature with the new Administration). Iraq is willing in principle to receive Abu Mazen, and we should keep pushing to facilitate this contact which will confirm Iraq's support for Palestinian moderates and further move Iraq into the camp of "Sunni moderates".

¶12. (S) While supporting Turkey and the UAE in their efforts with Iraq, we need to do more to press moderates such as Egypt, Bahrain and Morocco to expand involvement with Iraq. In particular, a visit to Iraq by a senior Egyptian official (possibly the PM) would send a positive signal. Any U.S. engagement with Syria and Iran should make clear that Syrian and Iranian cooperation on Iraq is not a concession to the US, but in Syria, Iran, and Iraq's mutual economic and security self-interests.

¶13. (S) The tracks for this recommended diplomatic strategy would include the following:

-- Invigorate the Expanded Neighbors and International Compact Process (with Ministerial Level Meetings in Baghdad). We would recommend a May meeting at the ministerial level in Baghdad. The focus of the meeting would be common regional issues, of which Iraq is a part - but not the only subject. Iraq would be expected to assert a leadership role and we would be able to help in this regard, with our still ample

leverage and Iraq's desire to regain its historic stature in the region. In the future we might consider developing the Expanded Neighbors process as a formalized contact-group of regional and international actors. The last Kuwait meeting planted the seeds for this (admittedly ambitious) concept, which could be further developed at a Baghdad-hosted meeting in May. The Secretary's presence in Baghdad early in her tenure would also send a strong signal of commitment and would help secure any deliverables from the GOI before then, particularly on refugees and IDPs (see below).

-- Integrate Iraq into a Regional Security and Economic/Political Architecture (though the GCC 3 and Gulf Security Dialogues). Through the GCC 3 and the Gulf Security Dialogues, we should continue to draw Iraq into the orbit of moderate Sunni Arab states. While avoiding any orbit of moderate Sunni Arab states. While avoiding any direct threat or provocation towards Iran, such a natural alliance, and in particular the mil-to-mil cooperation within a broader security architecture, would help Iraq gain in strength and stature, support our own military draw-down, and remain a source of leverage in any direct dealings with Iran.

Foreign Minister Zebari has discussed hosting a GCC 3 meeting in Baghdad in late April - an event that we should encourage and help facilitate.

-- Formalize a Program for Returning Refugees and IDPs. In exchange for our diplomatic support for Iraq we should demand that Iraq live up to its responsibilities with respect to IDPs and refugees, working with its neighbors, the ICRC, and the UN, to establish a fair and coordinated return-focused

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program.

-- Continue Trilateral Initiatives. Trilateral engagement between the U.S., Turkey, and Iraq (including the KRG) should remain active, both to strengthen bilateral ties between Iraq and Turkey, avoid provocative Turkish moves against the PKK, and avoid direct investment dealings between Turkey and the KRG that could raise Arab-Kurdish tensions. We also should not shy away from re-engaging Iran on Iraq issues through the trilateral channel which has remained dormant. These talks have not proven effective but given Iran's perceived loss of strategic initiative within Iraq, we should remain open to renewing these talks should a request be made.

This is an aggressive and energetic diplomatic agenda -- but one that we believe (1) draws upon and encourages the positive trends now ongoing inside Iraq, (2) supports the military draw-down and residual force presence announced by the President on February 26, and (3) fits within a broader regional engagement strategy focused on sustained and vigorous high-level diplomacy.

Integrating the GOI: Impediments to Integration

¶14. (S) In addition to the institutional challenges in Iraq to this diplomatic engagement strategy we must guard against external forces encouraging Kurd-Arab tensions (for example by insisting that states do not pursue independent relations with KRG that exclude Baghdad) and by allowing the GOI a measure of independence in its complex relationship with Iran, while ensuring that any American engagement with Iran is briefed to the GOI (consistent with briefings we might provide our other partners) and supports our common efforts to balance Iranian influence in Iraq. The Iraqis remain extremely nervous that diplomatic engagement between the U.S. and Iran will place Iraq on the table as a chip to be traded for concessions on larger issues. We have sought to dissuade them of this, but our briefing a few key Iraqi leaders (Prime Minister and Presidency Council) on any outreach to Iran would go a long way in cementing Iraq as a strong partner and ally and dissuading the fears and conspiracy theories that

too often in this region can force our best laid plans and policies to go awry. Iraq seeks to be a partner and friend of the United States. Their parliament voted nearly unanimously and openly for a long-term strategic partnership. We should hold them to their commitments, while also working to fulfill ours -- which includes treating Iraq as a full diplomatic partner.

Integrating the GOI: The Payoff

¶15. (S) The ultimate objective of this strategy is an Iraq that works with the USG as a strong and reliable partner on a range of regional and international issues. Most immediately, Iraq can promote regional stability by discouraging Iran, Syria and others from support of violent extremists. Through strong ties with its moderate neighbors, and relations with Iran and Syria that are based on mutual interests rather than predatory opportunities, Iraq can help draw the region's intransigents toward the moderate middle. Iraq will not be on the forefront of the peace process. But in place of its former belligerent posture on peace, Iraq can play a role supportive of a moderate approach. We should focus on ensuring that Iraq leaves behind 50 years of foreign policy based on hostility and subterfuge, instead relying on diplomacy, cooperation, and political participation to promote interests we share.
BUTENIS